

Edgar Filing: GABELLI UTILITY TRUST - Form N-30B-2

GABELLI UTILITY TRUST
Form N-30B-2
December 06, 2002

[TETON MOUNTAINS GRAPHIC OMITTED]
THE GABELLI
UTILITY TRUST

THIRD QUARTER REPORT
SEPTEMBER 30, 2002

[TETON MOUNTAINS GRAPHIC OMITTED]
THE GABELLI
UTILITY TRUST

Our cover icon represents the underpinnings of Gabelli. The Teton mountains in Wyoming represent what we believe in in America -- that creativity, ingenuity, hard work and a global uniqueness provide enduring values. They also stand out in an increasingly complex, interconnected and interdependent economic world.

INVESTMENT OBJECTIVE:

The Gabelli Utility Trust is a closed-end, non-diversified management investment company whose primary objectives are long-term growth of capital and income. The Trust will invest in companies that provide products, services or equipment for the generation or distribution of electricity, gas and water. Additionally, the Trust will invest in companies in telecommunications services or infrastructure operations.

THIS REPORT IS PRINTED ON RECYCLED PAPER.

TO OUR SHAREHOLDERS,

In our view, the major investment theme for electric, gas and telephone utilities can be summed up in two words: size matters. Electric generators with a large and geographically diverse portfolio of generating plants can trade around their structural long positions to enhance returns while avoiding the risk of asset concentration in a single market. Electric, gas and telephone distribution companies can spread their substantial fixed costs over a larger base of customers and see the cost per customer decline, enhancing earnings while reducing prices. Although the current unsettled market conditions seem to have caused the consolidation activity seen over the past several years to slow for a while, the underlying economics continue to support additional merger and acquisition activity over time. We believe that the recent entry of large European acquirers, the relatively low stock prices of utility companies and the potential repeal by Congress of the 1935 Public Utility Holding Company Act, known as PUHCA, could accelerate the utility consolidation trend in the coming quarters.

[GRAPHIC OMITTED]
MARIO J. GABELLI

[TETON MOUNTAINS GRAPHIC OMITTED]
THE GABELLI
UTILITY TRUST

PREMIUM / DISCOUNT DISCUSSION

As a refresher to our shareholders, the price of a closed-end mutual fund is determined in the open market by willing buyers and sellers. Shares of The Gabelli Utility Trust (the "Trust") trade on the New York Stock Exchange and may trade at a premium to (higher than) net asset value ("NAV") (the market value of

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the Trust's underlying portfolio) or a discount to (lower than) net asset value. Of the 519 closed-end funds that are publicly traded in the U.S., approximately 27% currently trade at premiums to NAV versus 26% five years ago and 58% ten years ago.

Ideally, the Trust's market price will generally track the NAV. The Trust's premium or discount to NAV fluctuates over time. Over our Trust's 3-year history, the range fluctuated from a 3% discount in November 2000 to a 44% premium in September 2002. The average variance from NAV for the Trust since inception is a 13.9% premium to NAV. Shortly after the inception of the Trust, the market price of the Trust exceeded the NAV and this premium has gradually increased since.

[GRAPH OMITTED]

SEPTEMBER 30, 2002	

Net Asset Value	\$6.03
Market Price	\$8.60
Premium	42.62%

EDGAR REPRESENTATION OF PLOT POINTS:

	0.1672
	0.0816
	0.1152
	0.0582
	0.0117
	0.0007
2000	0.0375
	0.0289
	-0.0127
	0.0417
	-0.0016
	0.0403
	0.0016
	0.0081
	0.0064
	-0.0220
	0.0003
2001	0.0658
	0.0532
	0.1445
	0.0728
	0.1646
	0.1409
	0.1223
	0.1229
	0.1643
	0.1572
	0.2455
	0.2414
	0.2746
2002	0.3454
	0.3704
	0.3101
	0.3225
	0.1723
	0.2561
	0.3297
	0.4065
9/30/2002	0.4262

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COMPARATIVE RESULTS

AVERAGE ANNUAL RETURNS THROUGH SEPTEMBER 30, 2002 (A)

	QUARTER	SINCE INCEPTION (B)	3 YEAR
	-----	-----	-----
Gabelli Utility Trust NAV Return (c)	(10.70)%	2.66%	2.82%
Gabelli Utility Trust Investment Return (d)	0.71%	11.44%	10.66%
S&P Utility Index	(22.28)%	(12.36)%	(11.54)%
Lipper Utility Fund Average	(17.60)%	(12.77)%	(12.37)%

"Mr. Market" often provides opportunities to invest at a discount. The Trust has considered various initiatives to narrow the discount when appropriate through distribution policies, rights offerings, share repurchase programs and the potential use of leverage.

The Trust's long-term investment goal is growth of capital and income. We believe that our stock selection process adds to the investment equation. We have a successful history of investment providing shareholders average annual returns of 2.7% since inception. However, it is important to remember that "Mr. Market" is a pendulum that swings both ways. As the market moves away from momentum investing and back to basics, we believe that an excessive premium for the Trust is not likely to be sustainable.

OUR APPROACH

There are nearly 80 publicly traded investor-owned electric utilities in the U.S., and this is at least 50 more than we need from the standpoint of economic efficiency. Stand-alone natural gas distribution companies make no economic sense either; the combination utility model is clearly better. The balkanized structure of the industry is inherently inefficient, and competitive forces are now putting pressure on the marginal players. The big companies feel the need to be bigger to achieve scale economies, and the small companies are selling out as the cost of staying in the game rises. It is only because of a complex and lengthy merger review and approval process that the industry remains as fragmented as it is. Our investments in regulated companies have primarily, though not exclusively, focused on fundamentally sound, reasonably priced mid-cap and small-cap utilities that are likely acquisition targets for large utilities seeking to bulk up. We also like the beneficiaries of developing trends. This has led to our ongoing focus on natural gas pipelines and storage operators as a way to take advantage of the growing demand for natural gas in the U.S.

COMMENTARY

The third quarter of 2002 was one of the most challenging periods in history for utility stocks. Despite relatively solid fundamentals at many utility companies, the well-publicized financial problems of a small number of companies seemed to weigh heavily upon the whole group. In addition, the third quarter of 2002 was one of the few times when utility stocks did not exhibit their typical defensive characteristics during a bear market.

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In previous quarters, utility stocks, with their high and relatively secure dividends, were able to avoid the panic selling that engulfed stocks of the more risky merchant energy companies. However, during the third quarter, dividends did not seem to matter. When the stock market learned about a problem at a utility company, the share price was driven down even after the CEO reassured investors about the safety of the dividend.

Only a handful of utility stocks were able to swim against the tide. The winners in the quarter were the stocks of the safest, plain vanilla, transmission and distribution companies that have no merchant energy exposure and also that have no balance sheet problems.

The trend of credit rating downgrades for utilities and merchant energy companies accelerated during the third quarter. A number of utilities were attracted by the potential for higher earnings growth from the merchant energy sector and they borrowed too heavily in 1999 and 2000 in an effort to quickly construct new unregulated power plants. When wholesale power prices plunged in 2001 and remained low in 2002, the earnings from these new power plants were disappointing and debt coverage was weaker than expected. The response by many utilities to credit rating downgrades was to strengthen the balance sheet by issuing large amounts of new common equity. The near term impact was dilutive to earnings and also the supply of so much new stock had a depressing effect on utility stock prices.

Fundamentally, we are encouraged by the fact that many companies in the electric utility sector have decided to get back to basics and have significantly reduced or eliminated their involvement in risky energy trading. Many companies also have cancelled the construction of merchant power plants that were scheduled to begin construction during 2002 and 2003, thereby reducing their external financing requirements. The result should be a more stable earnings outlook as these companies concentrate on improving their utility earnings and stop trying to hit a home run in the risky merchant energy sector.

The U.S. economy remains somewhat weak. The long-awaited recovery from the recession appears to be under way, but it is a very slow recovery. This probably means that it is unlikely that the Federal Reserve Board ("Fed") will tighten its monetary policy in the next few quarters. Some forecasters, who worry about a double-dip recession, want the Fed to ease up further on interest rates. Therefore, with interest rates likely to remain near their 40-year lows, utility stocks, with their high and relatively secure yields, should remain popular with conservative total return investors.

We believe that investors will rediscover the importance of yield. In a world of high uncertainty, cash in hand has more value than the promise of future earnings. The future earnings stream of stocks that pay no dividends but promise very high earnings growth must be discounted at a much higher rate in today's investment world. This effectively raises the value of stocks with a high up-front current return, such as utilities.

A major fundamental positive for the utilities sector would be the passage by Congress of the pending energy legislation. President Bush included in his legislative package the repeal of the 1935 Public Utility Holding Company Act, known as PUHCA, which has been a major deterrent to mergers and acquisitions in the utility industry. We believe that the pace of merger activity would accelerate greatly if PUHCA is repealed. Although the Democrats and Republicans in both houses of Congress have found plenty to disagree about regarding many other issues in the President's broad energy bill, there appears to be little opposition to PUHCA repeal. We are cautiously optimistic that the Republican-controlled House and the Democrat-controlled Senate can pass a compromise energy bill that includes PUHCA repeal before the end of this year.

Speaking of mergers and acquisitions, we believe that the recent decline

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in stock prices for many utilities should make them more attractive as takeover targets. Many cash-rich European utilities are shopping around for U.S. acquisitions. We are watching closely the situation involving German utility giant E.ON, which completed the

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acquisition of the U.K.'s PowerGen in early July. PowerGen owned the largest utility in Kentucky, LG&E Energy. E.ON's Chairman and CEO has said publicly that he wants to use LG&E and its one million utility customers as a base for making further U.S. utility acquisitions. In addition, we are watching National Grid of the U.K. because we expect the company to make another acquisition in the U.S. In recent years, National Grid has acquired three utilities in the northeastern region of the U.S., including New England Electric, EUA and Niagara Mohawk Power.

LET'S TALK STOCKS

The following are stock specifics on selected holdings of our Trust. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time.

CINERGY CORP. (CIN - \$31.43 - NYSE) is another consolidation play. Cinergy has terrific physical assets (low-cost generating plants) in a strategic location. Cinergy's Midwest location enables it to market its low-cost power into several different regions. Furthermore, many of the utilities around Cinergy have gotten much bigger in recent years through acquisitions while Cinergy has remained relatively the same size. Cinergy's power plants in the state of Ohio are deregulated, giving the company an opportunity to earn higher returns. In addition, over the past few years, Cinergy's senior management team has accumulated a hefty position in the common stock and in its options. This should make them more willing to talk with potential acquirers. Just to the south of Cinergy's territory is the state of Kentucky, where the giant German utility E.ON has just acquired the largest utility in Kentucky, the former LG&E. E.ON has stated its intention to acquire other U.S. utilities and Cinergy would be a great fit with LG&E.

DPL INC. (DPL - \$16.45 - NYSE) is another consolidation play in the Midwest. DPL is the holding company for the small utility, Dayton Power & Light. DPL shares have fallen recently after the management lowered earnings per share ("EPS") guidance and also indicated that it would write down the value of some of its non-utility investment portfolio. The Trust took advantage of the falling stock price and added to its holdings in DPL. As one of the smallest utilities in the region, and one whose state (Ohio) has deregulated its low-cost generating plants, we believe that DPL is a prime target for acquisition by a larger electric company.

DQE INC. (DQE - \$15.00 - NYSE) is a consolidation play whose stock price fell sharply in the second quarter when the company came to market with a very large equity offering. The Trust took advantage of the falling stock price and added significantly to its position in DQE. DQE is the holding company for the electric utility in Pittsburgh called Duquesne Light. The company sold off nearly all of its power plants when the state of Pennsylvania moved toward utility deregulation a few years ago. DQE has an agreement to sell off its water utility business and plans to use the proceeds to pay down debt. The company is surrounded by several utilities that are much larger and we think that its relatively low stock price makes it an attractive takeover target.

DUKE ENERGY CORP. (DUK - \$19.55 - NYSE) is a fallen angel. Duke Energy announced a major reduction in earnings per share expectations and the shares fell sharply. The reduction was due to the decline in profits from energy trading and

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marketing. In addition, Duke had a huge common stock offering in the third quarter that put additional pressure on the share price. The Trust used the decline in the share price of DUK as an opportunity to add shares. Duke Energy's primary businesses are low-risk regulated utilities in North and South Carolina and large interstate natural gas pipelines that should continue to produce steady earnings growth and stable cash flows.

NICOR INC. (GAS - \$28.20 - NYSE) is a natural gas utility that serves the area around the city of Chicago and surrounding counties. The company has relatively strong fundamentals and a solid track record of good financial performance. Nevertheless, the share price fell sharply during the third quarter when state regulators announced a review of the business at a small subsidiary of the company. This over-reaction by the stock market made the stock very cheap and the Trust added more shares to its portfolio when this buying opportunity arose. Nicor has one of the highest yields among the regulated natural gas distribution stocks.

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NSTAR (NST - \$39.55 - NYSE) is a consolidation play in the New England region. NSTAR is primarily an electric transmission and distribution utility serving the Boston and Cape Cod regions of Massachusetts. NST also owns a small gas utility. The Northeast region of the U.S. has been the most active area for consolidation activity among utilities. There are several potential acquirers for NST, including National Grid, who recently completed a takeover of Niagara Mohawk, and Consolidated Edison, who could use its relatively high stock price and strong balance sheet to make another acquisition. KeySpan is another potential acquirer who already owns a gas utility in the same region.

SCANA CORP. (SCG - \$26.02 - NYSE) is a midcap electric and gas utility serving a large portion of South Carolina and small areas of North Carolina and Georgia. SCANA is either surrounded by or is in close proximity to several of the largest utilities in the U.S. and any one of them could afford to pay a generous premium to acquire this well-run, financially strong company.

MONTHLY DISTRIBUTIONS

The Trust has a \$0.06 per share monthly distribution policy in place.

WWW.GABELLI.COM

Please visit us on the Internet. Our homepage at <http://www.gabelli.com> contains information about Gabelli Asset Management Inc., the Gabelli Mutual Funds, IRAs, 401(k)s, quarterly reports, closing prices and other current news. You can send us e-mail at closedend@gabelli.com.

In our efforts to bring our shareholders more timely portfolio information, Gabelli Fund's portfolio managers regularly participate in chat sessions at www.gabelli.com as reflected below.

	WHO	WHEN
	---	----
Special Chats:	Mario J. Gabelli	First Monday of each month
	Howard Ward	First Tuesday of each month

In addition, every Wednesday will feature a different portfolio manager. The upcoming Wednesday chat schedule is as follows:

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	NOVEMBER -----	DECEMBER -----	JANUARY -----
1st Wednesday	Charles Minter & Martin Weiner	Charles Minter & Martin Weiner	Ivan Artea
2nd Wednesday	Caesar Bryan	Walter Walsh & Laura Linehan	Charles Mi
3rd Wednesday	Walter Walsh & Laura Linehan	Hart Woodson	Walter Wal
4th Wednesday	Barbara Marcin		Barbara Ma

All chat sessions start at 4:15 PM (Eastern Time). Please arrive early, as participation is limited.

You may sign up for our e-mail alerts at www.gabelli.com and receive early notice of chat sessions, closing mutual fund prices, news events and media sightings.

Sincerely,

/S/ MARIO J. GABELLI

MARIO J. GABELLI, CFA
Portfolio Manager and Chief Investment Officer

October 15, 2002

NOTE: The views expressed in this report reflect those of the portfolio manager only through the end of the period stated in this report. The manager's views are subject to change at any time based on market and other conditions.

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THE GABELLI UTILITY TRUST
PORTFOLIO OF INVESTMENTS
SEPTEMBER 30, 2002 (UNAUDITED)

SHARES -----		MARKET VALUE -----
	COMMON STOCKS -- 69.5%	
	AGRICULTURE -- 0.0%	
16,000	Cadiz Inc.+	\$ 48,000
	COMMUNICATIONS EQUIPMENT -- 0.2%	
70,000	Furukawa Electric Co. Ltd.	159,274
	CONSUMER PRODUCTS -- 1.2%	
50,000	Pennzoil-Quaker State Co.	1,098,500
	ENERGY AND UTILITIES: ELECTRIC -- 18.0%	
120,000	AES Corp.+	301,200
20,000	Calpine Corp.+	49,400
55,000	Cinergy Corp.	1,728,650
20,000	Cleco Corp.	269,400
66,000	DPL Inc.	1,085,700
22,219	DTE Energy Co.	904,314
45,000	Edison International+	450,000
160,000	El Paso Electric Co.+	1,900,800
22,000	FPL Group Inc.	1,183,600
34,700	Great Plains Energy Inc.	664,505
51,000	Maine Public Service Co.	1,377,000

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160,000	Northeast Utilities	2,704,000
58,000	SCANA Corp.	1,509,160
75,000	TECO Energy Inc.	1,191,000
23,000	UIL Holdings Corp.	815,350
20,000	Unisource Energy Corp.	305,000
		16,439,079
	ENERGY AND UTILITIES: INTEGRATED -- 25.2%	
40,000	Allegheny Energy Inc.	524,000
13,000	Allete	280,800
40,000	Alliant Energy Corp.	770,000
38,000	CH Energy Group Inc.	1,783,340
100,000	CMS Energy Corp.	806,000
75,000	Constellation Energy Group Inc.	1,859,250
2,000	Dominion Resources Inc.	101,460
150,000	DQE Inc.	2,250,000
150,000	Duke Energy Corp.	2,932,500
75,000	El Paso Corp.	620,250
12,000	Empire District Electric Co.	202,800
10,000	Entergy Corp.	416,000
8,979	FirstEnergy Corp.	268,382
67,666	Florida Public Utilities Co.	889,808
30,000	MGE Energy Inc.	769,800
110,000	Mirant Corp.+	243,100
5,000	NiSource Inc.	86,150
45,000	NiSource Inc.+	81,450
56,000	NSTAR	2,214,800
1,000	Otter Tail Corp.	26,340
48,000	PG&E Corp.+	540,480
		MARKET
SHARES		VALUE

10,000	PNM Resources Inc.	\$ 198,000
10,000	Progress Energy Inc.	408,700
40,000	Progress Energy Inc., CVO+	8,400
8,000	Puget Energy Inc.	163,280
21,000	Sierra Pacific Resources	128,100
6,000	Unitil Corp.	162,900
10,000	Vectren Corp.	220,000
170,000	Westar Energy Inc.	1,710,200
10,000	Wisconsin Energy Corp.	243,000
7,000	WPS Resources Corp.	248,080
193,000	Xcel Energy Inc.	1,796,830
		22,954,200
	ENERGY AND UTILITIES: NATURAL GAS -- 13.8%	
35,000	AGL Resources Inc.	773,150
12,000	Cascade Natural Gas Corp.	236,400
2,000	Chesapeake Utilities Corp.	37,720
33,000	Delta Natural Gas Co. Inc.	698,610
20,000	Dynegy Inc., Cl. A	23,200
1,000	EnergySouth Inc.	25,500
26,000	National Fuel Gas Co.	516,620
90,000	Nicor Inc.	2,538,000
65,000	ONEOK Inc.	1,228,500
19,000	Peoples Energy Corp.	640,110
23,000	Piedmont Natural Gas Co. Inc.	815,810
3,000	RGC Resources Inc.	53,970
120,000	SEMCO Energy Inc.	933,600

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100,566	Southern Union Co.	1,136,396
130,000	Southwest Gas Corp.	2,892,500

		12,550,086

	ENERGY AND UTILITIES: WATER -- 4.8%	
12,000	American States Water Co.	314,640
11,000	Artesian Resources Corp., Cl. A	312,070
20,500	BIW Ltd.	366,950
20,520	California Water Service Group	523,875
7,500	Connecticut Water Service Inc.	192,150
40,000	Middlesex Water Co.	900,000
11,466	Pennichuck Corp.	322,195
15,000	Philadelphia Suburban Corp.	304,500
13,500	SJW Corp.	1,053,000
5,250	Southwest Water Co.	74,865

		4,364,245

	ENVIRONMENTAL SERVICES -- 0.1%	
18,000	Catalytica Energy Systems Inc.+	62,460

	SATELLITE -- 0.5%	
50,000	General Motors Corp., Cl. H+	457,500

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THE GABELLI UTILITY TRUST
 PORTFOLIO OF INVESTMENTS (CONTINUED)
 SEPTEMBER 30, 2002 (UNAUDITED)

SHARES		MARKET
-----		VALUE

	COMMON STOCKS (CONTINUED)	
	TELECOMMUNICATIONS -- 5.1%	
3,000	ALLTEL Corp.	\$ 120,390
12,000	AT&T Corp.	144,120
48,000	BellSouth Corp.	881,280
125,000	Broadwing Inc.+	247,500
20,000	BT Group plc, ADR	516,800
30,000	CenturyTel Inc.	672,900
12,000	Citizens Communications Co.+	81,360
4,000	Commonwealth Telephone	
	Enterprises Inc.+	139,080
10,388	D&E Communications Inc.	103,880
13,000	Deutsche Telekom AG, ADR	107,510
4,000	France Telecom SA, ADR	27,920
27,300	Touch America Holdings Inc.+	16,926
60,000	Verizon Communications Inc.	1,646,400

		4,706,066

	WIRELESS COMMUNICATIONS -- 0.6%	
40,000	mm02 plc, ADR+	247,600
40,000	Nextel Communications Inc., Cl. A+	302,000

		549,600

	TOTAL COMMON STOCKS	63,389,010

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	PREFERRED STOCKS -- 0.6%	
	TELECOMMUNICATIONS -- 0.6%	
17,000	Citizens Communications Co., 5.000% Cv. Pfd.	556,070

PRINCIPAL AMOUNT		

	CORPORATE BONDS -- 0.6%	
	ENERGY AND UTILITIES: INTEGRATED -- 0.6%	
\$ 1,100,000	Mirant Corp., Sub. Deb. Cv., 2.500%, 06/15/21	485,375

	TELECOMMUNICATIONS -- 0.0%	
100,000	Williams Communications Group Inc., 10.875%, 10/01/09+ (b)	10,500

	TOTAL CORPORATE BONDS	495,875

PRINCIPAL AMOUNT		MARKET VALUE
-----		-----
	U.S. GOVERNMENT OBLIGATIONS -- 25.2%	
\$23,000,000	U.S. Treasury Bills, 1.660%+, 10/03/02	\$ 22,997,885

	REPURCHASE AGREEMENT -- 6.3%	
5,771,000	Agreement with State Street Bank and Trust Co., 1.800%, dated 9/30/02, due 10/01/02, proceeds at maturity, \$5,771,289 (a)	5,771,000

TOTAL INVESTMENTS -- 102.2%		
(Cost \$105,875,892)		93,209,840
OTHER ASSETS AND LIABILITIES (NET) -- (2.2)%		(2,022,943)

NET ASSETS -- 100.0%		
(15,127,034 shares outstanding)		\$ 91,186,897
		=====
NET ASSET VALUE		
(91,186,897 / 15,127,034 shares outstanding)		\$6.03
		=====

	For Federal tax purposes:	
	Aggregate cost	\$104,913,573
		=====
	Gross unrealized appreciation	\$ 3,446,153
	Gross unrealized depreciation	(15,149,886)

	Net unrealized depreciation	\$ (11,703,733)
		=====

(a)	Collateralized by U.S. Treasury Note, 7.500%, due 11/15/24, market value \$5,887,000.	
(b)	Security in default.	
+	Non-income producing security.	
++	Represents annualized yield at date of purchase.	

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ADR - American Depository Receipt.

CVO - Contingent Value Obligation.

SELECTED HOLDINGS
SEPTEMBER 30, 2002

CH Energy Group Inc.	Nicor Inc.
Cinergy Corp.	NSTAR
DPL Inc.	ONEOK Inc.
DQE Inc.	SCANA Corp.
Duke Energy Corp.	Southwest Gas Corp.

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AUTOMATIC DIVIDEND REINVESTMENT
AND VOLUNTARY CASH PURCHASE PLAN

ENROLLMENT IN THE PLAN

It is the Policy of The Gabelli Utility Trust ("Utility Trust") to automatically reinvest dividends. As a "registered" shareholder you automatically become a participant in the Utility Trust's Automatic Dividend Reinvestment Plan (the "Plan"). The Plan authorizes the Utility Trust to issue shares to participants upon an income dividend or a capital gains distribution regardless of whether the shares are trading at a discount or a premium to net asset value. All distributions to shareholders whose shares are registered in their own names will be automatically reinvested pursuant to the Plan in additional shares of the Utility Trust. Plan participants may send their stock certificates to EquiServe Trust Company ("EquiServe") to be held in their dividend reinvestment account. Registered shareholders wishing to receive their distribution in cash must submit this request in writing to:

The Gabelli Utility Trust
c/o EquiServe
P.O. Box 43011
Providence, RI02940-3011

Shareholders requesting this cash election must include the shareholder's name and address as they appear on the share certificate. Shareholders with additional questions regarding the Plan or requesting a copy of the terms of the Plan may contact EquiServe at 1 (800) 336-6983.

SHAREHOLDERS WISHING TO LIQUIDATE REINVESTED SHARES held at EquiServe must do so in writing or by telephone. Please submit your request to the above mentioned address or telephone number. Include in your request your name, address and account number. The cost to liquidate shares is \$2.50 per transaction as well as the brokerage commission incurred. Brokerage charges are expected to be less than the usual brokerage charge for such transactions.

If your shares are held in the name of a broker, bank or nominee, you should contact such institution. If such institution is not participating in the Plan, your account will be credited with a cash dividend. In order to participate in the Plan through such institution, it may be necessary for you to have your shares taken out of "street name" and re-registered in your own name. Once registered in your own name your dividends will be automatically reinvested. Certain brokers participate in the Plan. Shareholders holding shares in "street name" at participating institutions will have dividends automatically reinvested. Shareholders wishing a cash dividend at such institution must contact their broker to make this change.

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The number of shares of Common Stock distributed to participants in the Plan in lieu of cash dividends is determined in the following manner. Under the Plan, whenever the market price of the Utility Trust's Common Stock is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividends or capital gains distribution, participants are issued shares of Common Stock valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then current market price of the Utility Trust's Common Stock. The valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next trading day. If the net asset value of the Common Stock at the time of valuation exceeds the market price of the Common Stock, participants will receive shares from the Utility Trust valued at market price. If the Utility Trust should declare a dividend or capital gains distribution payable only in cash, EquiServe will buy Common Stock in the open market, or on the New York Stock Exchange or elsewhere, for the participants' accounts, except that EquiServe will endeavor to terminate purchases in the open market and cause the Utility Trust to issue shares at net asset value if, following the commencement of such purchases, the market value of the Common Stock exceeds the then current net asset value.

The automatic reinvestment of dividends and capital gains distributions will not relieve participants of any income tax which may be payable on such distributions. A participant in the Plan will be treated for Federal income tax purposes as having received, on a dividend payment date, a dividend or distribution in an amount equal to the cash the participant could have received instead of shares.

The Utility Trust reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of the Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by EquiServe on at least 90 days' written notice to participants in the Plan.

VOLUNTARY CASH PURCHASE PLAN

The Voluntary Cash Purchase Plan is yet another vehicle for our shareholders to increase their investment in the Utility Trust. In order to participate in the Voluntary Cash Purchase Plan, shareholders must have their shares registered in their own name.

Participants in the Voluntary Cash Purchase Plan have the option of making additional cash payments to EquiServe for investments in the Utility Trust's shares at the then current market price. Shareholders may send an amount from \$250 to \$10,000. EquiServe will use these funds to purchase shares in the open market on or about the 1st and 15th of each month. EquiServe will charge each shareholder who participates \$0.75, plus a pro rata share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that any voluntary cash payments be sent to EquiServe, P.O. Box 43011, Providence, RI 02940-3011 such that EquiServe receives such payments approximately 10 days before the 1st and 15th of the month. Funds not received at least five days before the investment date shall be held for investment until the next purchase date. A payment may be withdrawn without charge if notice is received by EquiServe at least 48 hours before such payment is to be invested.

For more information regarding the Dividend Reinvestment Plan and Voluntary Cash Purchase Plan, brochures are available by calling (914) 921-5070 or by writing directly to the Utility Trust.

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TRUSTEES AND OFFICERS

THE GABELLI UTILITY TRUST
ONE CORPORATE CENTER, RYE, NY 10580-1422

TRUSTEES

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CHAIRMAN AND CHIEF INVESTMENT OFFICER,
GABELLI ASSET MANAGEMENT INC.

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ATTORNEY-AT-LAW,
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James P. Conn
FORMER MANAGING DIRECTOR AND CHIEF INVESTMENT OFFICER,
FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

Vincent D. Enright
FORMER SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER,
KEYSPAN ENERGY CORP.

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PRESIDENT AND CHIEF EXECUTIVE OFFICER,
AMERICAN GAMING ASSOCIATION

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SECRETARY

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Boston Safe Deposit and Trust Company

COUNSEL
Skadden, Arps, Slate, Meagher & Flom, LLP

TRANSFER AGENT AND REGISTRAR
EquiServe Trust Company N.A.

STOCK EXCHANGE LISTING

COMMON

NYSE-Symbol: GUT
Shares Outstanding: 15,127,034

The Net Asset Value appears in the Publicly Traded Funds column, under the heading "Specialized Equity Funds," in Sunday's The New York Times and in Monday's The Wall Street Journal. It is also listed in Barron's Mutual Funds/Closed End Funds section under the heading "Specialized Equity Funds."

The Net Asset Value may be obtained each day by calling (914) 921-5071.

For general information about the Gabelli Funds, call 1-800-GABELLI (1-800-422-3554), fax us at 914-921-5118, visit Gabelli Funds' Internet homepage at: [HTTP://WWW.GABELLI.COM](http://WWW.GABELLI.COM) or e-mail us at: closedend@gabelli.com

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Utility Trust may, from time to time, purchase its shares in the open market when the Utility Trust shares are trading at a discount of 10% or more from the net asset value of the shares.

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THIRD QUARTER REPORT
SEPTEMBER 30, 2002

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